

**KINGDOM COMMUNITY WIND**  
**LETTER OF INTENT BETWEEN GREEN MOUNTAIN POWER AND**  
**VERMONT ELECTRIC COOPERATIVE**

Green Mountain Power Corporation (“GMP”) and Vermont Electric Cooperative, Inc. (“VEC”, and with GMP, the “Parties”) hereby express their mutual intent as of the date hereof to enter into negotiations for (1) a power purchase agreement (“PPA”) relating to a proposed wind generation facility consisting of (a) turbines with a nameplate capacity of between 30MW and 63MW to be located on Lowell Mountain, Lowell, Vermont, (b) a transmission line between the generation facility and the VEC Lowell Substation, and (c) related improvements (“Wind Project”), and (2) a transmission line joint ownership, construction, and operation agreement (“JOA”) relating to (a) an upgrade to 46 kV (“Transmission Upgrade”) of a VEC transmission line (poles, conductors and related equipment), substations and related improvements between the proposed VEC Lowell Substation and the proposed VEC Jay Tap Switching Station, in Lowell and Jay Vermont respectively (“Transmission Facilities”) and (b) the allocation of costs of the Transmission Upgrade and certain costs relating to the proposed VELCO Jay Tap Substation (collectively “Transmission Costs”). The proposed terms of the PPA and JOA (jointly the “Definitive Agreements”) are attached hereto as Attachments A and B respectively.

This Letter of Intent memorializes the intent of the Parties to pursue in good faith, negotiations relating to Definitive Agreements reflecting the terms set forth in Attachments A and B. It does not constitute a binding offer or create any binding obligation to enter into any Definitive Agreement, shall not form the basis for an agreement by estoppel or otherwise, and any actions taken by a Party in reliance on the terms set forth herein or on statements made during negotiations shall be at that Party’s own risk. Until one or more Definitive Agreements have been executed between the Parties, no Party shall have any other legal obligations relating to the subject matter hereof, expressed or implied, or arising in any other manner or in the course of negotiations, other than the obligations arising under the penultimate paragraph of this Letter of Intent.

Any transaction that might arise from the activities of the Parties as contemplated by this Letter of Intent shall be contingent on the due authorization, execution and delivery by the Parties of the PPA or JOA, including without limitation the obtaining by each party of all Board of Directors and management approvals, and all other authorizing actions required to be taken by each Party under its organizational documents, any of which approvals may be withheld in the absolute exercise of discretion. Neither Party is authorized to make, and each party hereby disclaims, any representation whatsoever concerning (i) the timing or likelihood of entering into the Definitive Agreements, (ii) the final terms of the Definitive Agreements; or (iii) any other matter relating to negotiations or execution of the Definitive Agreements. This Letter of Intent may be terminated at any time by either Party for any reason.

To the extent that either Party reveals information that it considers to be confidential, it will clearly mark or otherwise designate such information with a confidentiality notice. Until such time as the Definitive Agreements are executed, all price terms shall be considered confidential information. Each Party shall maintain in confidence all such designated

information, and shall not disclose such information other than on a need to know basis to affiliates, advisors, regulators or consultants subject to a confidentiality obligation or where required by law. As to non-confidential information, the Parties agree to fully participate in community outreach to build local and statewide support for the Wind Project and Transmission Upgrade and may disclose the fact that the Parties are pursuing power purchase and transmission arrangements.

This Letter of Intent supersedes all prior understandings between the Parties concerning the subject matter hereof.

Dated: May \_\_, 2010

GREEN MOUNTAIN POWER CORPORATION

By:\_\_\_\_\_

Name:

Title:

VERMONT ELECTRIC COOPERATIVE, INC.

By:\_\_\_\_\_

Name:

Title:

POWER PURCHASE AGREEMENT

INDICATIVE TERM SHEET

Buyer:	Vermont Electric Cooperative, Inc.
Seller:	Green Mountain Power Corporation
Products:	(1) Unit contingent energy, (2) capacity as determined by the ISO-NE, (3) Renewable Energy Credits ( RECs), and (4) current and future environmental attributes associated with output of the Wind Project.
Quantity:	Up to an eight (8) MW entitlement in the Wind Project Products. VEC's entitlement is dependent on the size of the Wind Project as constructed, as indicated on Attachment A-1, and associated energy be based on the ratio of VEC's entitlement to the rated output of the Wind Project as constructed.
Term:	Beginning on commercial operation date, and ending on June 30, 2057 and for such time thereafter as necessary to fully-recover all then-unrecovered costs, including decommissioning costs.
Price:	Formula rate intended to pass through a pro rata portion (based on the ratio of VEC's entitlement as set forth on Attachment A-1 to the rated output of the Wind Project as constructed) ("VEC Pro Rata Share") of all GMP's costs relating to the Wind Project, including but not limited to costs relating to acquisition of wind development rights, permitting/other development costs, construction, operating, maintaining, overheads, capital and decommissioning associated with the wind measurement towers and Wind Project, lines losses, GMP's portion of Transmission Costs, and other appropriate Project costs as reflected on GMP's financial statements; plus, to the extent either party is required to impose wheeling charges on the other related to the Upgraded Transmission Facilities, a surcharge or rebate equal to the amount of the wheeling charge.
Development	
Premium:	VEC will pay a Development Premium equal to two times the VEC Pro Rata Share of the costs related to project development through permitting, including legal costs, environmental studies, engineering (civil, electrical and interconnect), initial transmission design, right of way and other costs, meteorological tower and wind resource studies, public outreach, payments to landowners and other appropriate Wind Project development costs. The Development Premium will be subject to two caps, whichever is lower: (1) it shall not exceed two times the VEC Pro Rata Share of the total estimated costs set forth on Attachment A-2, <i>i.e.</i> \$5,553,000 (subject to adjustment for non-PTF treatment of VELCO substation) (the "Total

Development Cost Cap”) and (2) in the event that the Wind Project is ultimately constructed with a nameplate capacity less than forty (40) MW, the Development Premium shall not exceed \$284,750 (which reflects two times the VEC Pro Rata Share of the estimated total development cost per MW for a 40MW project) times VEC MW entitlement as indicated in Attachment A-1 (i.e.  $2 \times \$142,375 \times \text{VEC's MW entitlement}$  (the “Per MW Cap”)). Sample calculations of the Development Premium and both caps are set forth in Attachment A-3. At VEC’s request, the Parties will explore a mutually agreed-upon partially levelized PPA rate on an NPV neutral basis, with NPV determined based on GMP’s weighted average cost of capital.

Delivery Point:	Interconnection point between Wind Project transmission line and the 115 kV system at VELCO Jay Tap substation.
Credit Terms	The Parties agree that neither Party shall require the other Party to provide collateral or other security to assure the performance of the other Party.
Audit Rights:	The Parties will provide each other with access, upon reasonable notice, to financial or other records including any supporting documentation necessary to verify the accuracy of bills on an annual basis.
Project Construction:	GMP agrees to supply construction plans for the Wind Project to VEC and to keep VEC informed as to construction plans and schedules.
Conditions Precedent:	<p>Execution of the JOA.</p> <p>Receipt of all necessary governmental, ISO-NE and other necessary third party approvals relating to the Wind Project, the Transmission Upgrade, the proposed VELCO Jay Tap Substation, the PPA and the JOA.</p> <p>The establishment of interconnection arrangements on terms reasonably acceptable to GMP and VEC.</p> <p>Construction of the Wind Project.</p>
Early Termination:	Upon failure of the Wind Project, the Transmission Upgrade, and the VELCO Jay Tap Substation to commence commercial operation by December 31, 2014
Development Rights:	In the event that GMP transfers the Wind Project to an unaffiliated party prior to the end of the term of this PPA, GMP will first apply proceeds from the disposition to any of its unrecovered costs relating to the Wind Project, including transaction costs related to the disposition of the Wind Project. Any residual amounts will then be shared between VEC and the

Company based on their pro rata entitlements to output from the Wind Project under this PPA.

Project Megawatts	< or = 30 MW	30.01 – 35	35.01- 45	> or = 45.01
VEC Entitlement	5MW	6MW	7MW	8MW

Pre-Construction, Permitting and Development costs are as generally outlined below. All costs are exclusive of VELCO Jay Tap Substation costs. Each cost is a not a line item maximum and costs may be increased or decreased within one category provided that such changes do not increase the Total Development Cost Estimate. If the actual total Development Costs are higher than the \$5,695,000 estimate shown in this Attachment A-2, then the Development Costs used in any calculation in this agreement shall be capped at \$5,695,000, except where such costs are associated with the VELCO Jay Tap Substation and the cap shall be adjusted accordingly. The cost provided in each of the line items is a best estimate of the expected costs to be incurred.

#### Wind Project Development Costs

Legal Expenses

Pre-development expense

Environmental Studies (Wind Project only)<sup>1</sup>

Engineering services – civil, structural, geo-tech, etc.

Met Tower permitting, purchasing, erection, monitoring

ISO Feasibility and System Impact Studies

Public Outreach

Project Management, Procurement, Misc. Development Exp  
(Wind Project only)

Project Option with Landowners (3 years)

Contingency

Transmission Pre-Construction Costs

Transmission & Substation Engineering/Design

Transmission Right of Way

Transmission & Substation Permitting

Transmission & Substation Pre-Construction Contingency

VELCO Jay Tap Substation Pre-Construction<sup>2</sup> (see note)

VEC Reliability Study (project portion only)

Total Development Cost Estimate w/o VELCO Jay Tap Costs \$5,695,000

Total Development Cost/MW for 40 MW Project \$ 142,375

<sup>1</sup> Archeology, Sound and Aesthetics for the both the Wind Project and the Transmission Project Upgrade are incorporated in the development costs above and are not split between the two.

<sup>2</sup> If VELCO Jay Tap Substation is not considered to be needed for reliability (PTF Treatment), then development costs associated with engineering and permitting the VELCO Jay Tap Substation will be added to the total transmission pre-construction costs outlined above, increasing the VEC development caps proportionately.

### Attachment A-3

#### **DEVELOPMENT PREMIUM EXAMPLES**

##### **Example A**

Assume a 30 MW project is built. VEC takes VEC's entitlement is 5 MW according to Attachment A-1, and its Pro Rata Share is 5/30. Assume actual development costs of \$5.695 million.

Development Premium = the lesser of:

Uncapped Development Premium (VEC's Pro Rata Share \* actual development costs \* 2)

$$5/30 * \$5.695 \text{ million} * 2 = \$1.898 \text{ million}$$

Total Development Cost Cap (VEC's Pro Rata Share \* Attachment A-2 cost estimate \* 2)

$$5/30 * \$5.695 \text{ million} * 2 = \$1.898 \text{ million}$$

Per MW Cap (VEC's MW entitlement \* \$142,375 \* 2)

$$5 * \$142,375 * 2 = \$1.42375 \text{ million}$$

In this example the Per MW Cap sets the Development Premium at \$1.423750 million. There is no difference in Example A between Uncapped Development Premium and the Development Cost Cap because the actual develop costs equaled the Attachment A-2 cost estimate.

##### **Example B**

Assume a 30 MW project is built. VEC takes 5 MW according to Attachment A-1. Assume actual development costs of \$3.250 million.

Development Premium = the lesser of:

Uncapped Development Premium (VEC's pro rata share \* actual development costs \* 2)

$$5/30 * \$3.250 \text{ million (actual)} * 2 = \$1.083 \text{ million}$$

Total Development Cost Cap (VEC's pro rata share \* Attachment A-2 cost estimate \* 2)

$$5/30 * \$5.695 \text{ million} = \$1.898 \text{ million}$$

Per MW Cap (\$142,375/MW \* VEC Entitlement \* 2)

$$5 * \$142,375 * 2 = \$1.42375 \text{ million}$$

In this example the Development Premium is \$1.083 million and the caps do NOT impact the Development Premium.

### **Example C**

Assume a 42 MW project is built. VEC takes 7 MW according to Attachment A-1. Assume actual development costs of \$6.250 million.

Development Premium = the lesser of:

Uncapped Development Premium (VEC's Pro Rata share \* actual development costs \* 2)

$$7/42 * \$6.250 \text{ million (actual)} * 2 = \$2.083 \text{ million or}$$

Total Development Cost Cap (VEC's Pro Rata share \* Attachment A-2 cost estimate \* 2)

$$7/42 * \$5.695 \text{ million} * 2 = \$1.898 \text{ million}$$

Per MW Cap is not applicable since project not less than 40 MW

In this example the Total Development Cost Cap sets the Development Premium at \$1.898 million.

### **Example D**

Assume a 42 MW project is built. VEC takes 7 MW according to Attachment A-1. Assume actual development costs of \$4.250 million.

Development Premium = the lesser of:

Uncapped Development Premium (VEC's Pro Rata share \* actual development costs \* 2)

$$7/42 * \$4.250 \text{ million (actual)} * 2 = \$1.417 \text{ million or}$$

Total Development Cost Cap (VEC's Pro Rata share times Attachment A-2 cost estimate times 2)

$$7/42 * \$5.695 \text{ million} * 2 = \$1.898 \text{ million}$$

Per MW Cap not applicable because project not less than 40 MW.

In this example the Development Premium is \$1.417 million. The Development Premium is not impacted by the caps.

TRANSMISSION JOINT OWNERSHIP AGREEMENT

INDICATIVE TERM SHEET

1. JOINT OWNERSHIP

Conveyance by VEC to GMP of (1) a 58.46% ownership interest as tenant in common in each component of the Transmission Facilities, and (2) assignment of a 58.46% easement interest in all real property associated with the Transmission Facilities. VEC shall retain a 41.54% interest. GMP shall not have any interest in VEC distribution facilities attached to the Transmission Facilities.

2. CONSTRUCTION AND OPERATION

Scope:

Equipment acquisition, construction, and commissioning of the Transmission Upgrade to the Transmission Facilities, operation and maintenance of the Transmission Facilities and other activities.

Costs:

1. GMP shall be responsible for 58.46% of Allocable Costs and VEC shall be responsible for 41.54% of Allocable Costs. Allocable Costs shall mean the actual costs of the components identified in lines 1-7a of Attachment B-1. In the event that the VELCO Jay Tap substation high side facility is determined to be ineligible for PTF treatment (as identified in line 7b), the allocation of actual incremental costs to VEC due to such ineligibility will be the lesser (determined on a present value basis) of the following:
  - a. 41.54%; or
  - b. The cost of the alternative reliability action that is avoided as a result of construction of the VELCO Jay Tap Substation.

GMP agrees to pay its 58.46% pro rata share of (a) the cost to acquire the land associated with the VELCO Jay Tap Switching Station, up to a maximum total amount of \$120,000, and (b) a reliability study, up to a maximum total amount of \$150,000, notwithstanding the lack of satisfaction of all conditions precedent; VEC shall return GMP's payments without interest upon demand, in the event the Wind Project is not built. GMP also agrees to pay its 58.46% pro rata share of the cost of an option to acquire land associated with the VELCO Jay Tap Substation, up to a maximum total amount of \$60,000, notwithstanding the lack of satisfaction of all conditions precedent. All future costs associated with the VELCO Jay Tap Substation shall be paid for by each party in the amount of their pro-rata share. Future costs shall include all operation, maintenance and property taxes for the facility.

Neither party shall impose on the other (1) costs associated with internal staff not directly engaged with the Project, costs associated with concluding the Definitive Agreements, and other costs for the specific benefit of one party; or (2) any transmission rental, wheeling or other charge for the use of the Transmission Facilities except for the lease costs associated with the VELCO 46kV line between the Cross Rd/Route 105 intersection and the VELCO Jay Tap Substation, which shall be shared between VEC and GMP based on the ownership share. A current estimate of the Allocable Costs is contained in Attachment B-1, but is subject to change.

2. The Parties will jointly prepare and approve a budget for the Transmission Upgrade; any changes in excess of \$10,000 to the budget must be approved by both Parties. The Parties agree to work cooperatively to minimize project costs, such as materials ordering by the Party with the lower overhead adder.
3. GMP and VEC shall pay property taxes on the Transmission Facilities in the same ratio as each company's ownership share.

Operation and maintenance costs associated with distribution facilities within or on the Transmission Facilities (other than tree trimming costs) shall be the sole responsibility of VEC. Substation maintenance costs (other than those associated with the VEC Jay 17 Substation and the Lowell substation transformer and 12 kV portion of the VEC Lowell Substation) and transmission line maintenance costs (including tree trimming costs, pole testing, foot and aerial patrols, and infra-red scans) shall be shared by GMP and VEC in accordance with their ownership share.

Transmission related development activities (Design, Engineering, Right-of-Way Acquisition, Permitting), Equipment Acquisition, Construction and Commissioning:

1. Implementation of these activities shall be jointly approved by the Parties and shall be consistent with Good Utility Practice.
2. Unless otherwise agreed, design and construction shall be outsourced by competitive bid to vendors mutually agreeable to both parties.
3. Design and construction standards shall meet or exceed the design requirements of each utility's engineering standards.
4. VEC and GMP shall approve all designs before requesting competitive bids for construction.

Operation:

1. GMP shall be entitled to a capacity entitlement in the Transmission Facilities equivalent to 75 MW or the entire Wind Project output (whichever is less), and VEC is entitled to the remaining capacity.
2. VEC shall maintain operating control and responsibility for the Transmission Facilities and shall act in a manner consistent with Good Utility Practice.

3. First consideration of the operation of the Transmission Facilities shall be given to the reliability of the system for the VEC distribution customers. VEC will be the Lead Participant for purposes of operational control and ISO-NE operating requirements. VEC shall retain switching dispatch jurisdiction and reporting obligations relating to maintenance outage coordination, control and reporting of line flow data, and major equipment status of the Transmission Facilities

#### Emergency and Outage Response:

1. In the event of a Transmission Facilities outage that affects VEC's distribution service, VEC shall give priority to restoration of service to VEC distribution customers throughout its territory.
2. GMP reserves the right to respond and assist in transmission restoration efforts to restore the Transmission Facilities as quickly and safely as possible.

#### Maintenance:

1. VEC shall maintain the Transmission Facilities and keep the same in good working order consistent with Good Utility Practice at all times, in accordance with an agreed upon maintenance schedule. VEC shall provide GMP with copies of substation and transmission inspection, testing and maintenance reports.
2. The tree trimming cycle shall be consistent with the GMP or VEC transmission tree trimming cycle, whichever is shorter.

#### 3. CONDITIONS PRECEDENT AND EARLY TERMINATION

##### Conditions Precedent:

Receipt of all necessary governmental, ISO-NE and other necessary third party (including VEC member) approvals relating to the Wind Project, the Transmission Upgrade, the proposed VELCO Jay Tap Substation, the PPA and the JOA.

##### Construction of the Wind Project.

##### Early Termination:

1. Failure to construct the Wind Project by December 31, 2014.

## Description of Facilities Components and Estimate of Allocable Costs

<b>Item</b>		<b>Estimated Project Cost</b>
1	VEC Jay Tap Switching Station to Cross Road/Route 105 Intersection Reconductor (includes T-Tap Switches)	
2	Cross Road/Route 105 Intersection to Jay 17 – Transmission Line	
3	VEC Jay 17 Substation	
4	Jay 17 - Lowell Transmission Line	
5	VEC Lowell Substation	
6	VEC Jay Tap Switching Station	
	Total Transmission Upgrades (1-6)	\$10,280,000
7a	VELCO Jay Tap Substation (total specific facilities only), if VELCO Jay Tap Substation is determined to be required for VEC reliability – Estimated	\$3,160,000
7b	VELCO Jay Tap Substation, including CIAC (total specific facilities only), if VELCO Jay Tap Substation is determined not to be required for VEC reliability- Estimated	\$17,420,000

Allocation of Costs: GMP 58.46%

VEC 41.54%

Total 100%